

# HB 1821

## Bill Analysis

February 19, 1997

**Brief Description:** Consolidating business and occupation tax rates into fewer categories.

**Bill Sponsors:** Representatives B. Thomas, Mulliken, Bush, Zellinsky, Kastama, Sullivan, Wensman, Carrell and Schoesler.

**Staff:** Rick Peterson (786-7150)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed at 13 different rates on the gross receipts of business activities conducted within the state. After a temporary surtax expires on July 1, 1997, B&O rates will be as follows:

0.011%	Wholesaling Wheat, Oats, Corn, Barley
0.138%	Mfg Wheat into Flour, soybean oil, seafood manufacturing, Slaughter, Break, Proc. Meat-Whlse
0.275%	Dry Pea Splitting, Nuclear Fuel Sales, Nuclear Fuel Manufacturing, Travel Agent Commissions International Investment Management
0.330%	Manufacturing Fresh Fruits and Vegetables
0.363%	International Charter Freight Brokers, Stevedoring
0.471%	Retailing
0.484%	Extracting, Extracting for Hire, Manufacturing, Retailing Interstate Transportation Products, Nonprofit Research and Development, Wholesaling, Internal Distribution, Newspaper Printing, Road, Street Improvements for Government, Extracting, Extracting for Hire, Storage Warehouses, Independent General Insurance Agents, Radio and TV Broadcasting, Construction for Federal Government
0.55%	Insurance-Agents/Brokers Commissions
1.50%	Nonprofit Hospitals
1.60%	Financial Services

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1.75%	Real Estate Brokers, Other Services
2.00%	Selected Business Services
3.30%	Low-Level Waste Disposal

**Summary of Bill:** The number of B&O rates is reduced to 6 rates by:

- Eliminating the 0.011% rate for wholesaling wheat, oats, corn, and barley, and exempting these activities from tax.
- Consolidating agricultural activities at the 0.138% rate. Dry pea splitting (formerly 0.275%) and manufacturing fresh fruits and vegetables (formerly 0.330%) join manufacturing wheat into flour; soybeans into oil, seafood manufacturing, and processing and selling meat at wholesale in this category.
- Moving international charter freight brokers and stevedoring (formerly 0.363%) to join travel agent commissions, nuclear fuel sales and manufacturing and international investment management at 0.275%.
- Moving insurance agent/broker commissions (formerly 0.55%) to 0.484% together with manufacturing, wholesaling, extracting and others.
- Combining financial services (formerly 1.6%) and selected business services (formerly 2.0%) into the other services category (formerly 1.75%), and reducing the rate to 1.5%.

The resulting six B&O rate categories are:

0.138%:	Mfg Wheat into Flour, soybean oil, seafood manufacturing, Slaughter, Break, Proc. Meat-Whlse, Dry Pea Splitting, Manufacturing Fresh Fruits and Vegetables
0.275%:	Nuclear Fuel Sales, Nuclear Fuel Manufacturing, Travel Agent Commissions International Investment Management, International Charter Freight Brokers, Stevedoring
0.471%	Retailing
0.484%	Extracting, Extracting for Hire, Manufacturing, Retailing Interstate Transportation Products, Nonprofit Research and Development, Wholesaling, Internal Distribution, Newspaper Printing, Road, Street Improvements for Government, Extracting, Extracting for Hire, Storage Warehouses, Independent General Insurance Agents, Radio and TV Broadcasting, Construction for Federal Government, Insurance-Agents/Brokers Commissions
1.50%	Nonprofit Hospitals, Real Estate Brokers, Services
3.30%	Low-Level Waste Disposal

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect July 1, 1997.